

14667
High Gosforth Park Limited

**Directors' report and financial
statements**

Registered number 14667

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the company during the year were the operation of a racecourse, under Jockey Club and National Hunt Rules at Newcastle Racecourse, and management of an owned estate including the Parklands Golf Course.

Business review

The company made a profit after taxation for the year of £1,327,785 (2002: £708,914). The directors are satisfied with the result for the year and are optimistic of future success.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2002: £Nil). The retained profit of £1,327,785 (2002: £708,914) has been transferred to reserves.

Directors and their interests

The directors of the company during the year were as follows:

Sir Stanley W Clarke
Simon W Clarke
RG Street
MB Stokes resigned 3 September 2004
The Hon WPI Beaumont
Sir D Chapman
JHS Marris
AWG Wylie appointed 23 March 2004

On 10 September 2004 AB Kelly was appointed a director of the company.

None of the directors had any interest in the shares of the company.

Sir Stanley W Clarke, Simon W Clarke, RG Street and MB Stokes were directors of the holding company, The Chepstow Racecourse PLC, during the year and their interest in the shares of other companies in the group are disclosed in the accounts of that company. The other directors had no interest in group companies.

The directors are sad to report the death of Sir Stanley W Clarke on 19 September 2004.

Auditors

Deloitte & Touche resigned as auditors during the year and KPMG Audit Plc were appointed by the directors in their place. A resolution is to be proposed at the forthcoming Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the company.

By order of the board


AB Kelly
Secretary

Dunstall Estate Office
Dunstall Hall
Burton Upon Trent
Staffordshire, DE13 8BE

19 October 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of High Gosforth Park Limited

We have audited the financial statements on pages 4 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

25 October

2004

Profit and loss account
for the year ended 31 December 2003

	Note	2003 £	2002 (As restated – see note 2) £
Turnover	<i>1</i>	5,797,438	3,604,501
Cost of sales		(3,120,575)	(1,180,132)
Gross profit		2,676,863	2,424,369
Administrative expenses		(1,138,597)	(1,373,928)
Operating profit	<i>3</i>	1,538,266	1,050,441
Income from unlisted investments		362	317
Interest payable – group interest		(11,572)	(40,103)
Income from other fixed asset investment		77,569	-
Profit on ordinary activities before taxation		1,604,625	1,010,655
Tax on profit on ordinary activities	<i>5</i>	(276,840)	(301,741)
Profit on ordinary activities after taxation being retained profit for the financial year	<i>16</i>	1,327,785	708,914

All activities derive from continuing operations

Statement of total recognised gains and losses
for the year ended 31 December 2003

	2003	2002 (As restated – see note 2)
	£	£
Profit for the financial year	1,327,785	708,914
Prior year adjustment (note 2)	2,262,949	-
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	3,590,734	708,914
	<hr/>	<hr/>

Note of historical cost profits and losses
for the year ended 31 December 2003

	2003	2002 (As restated – see note 2)
	£	£
Reported profit on ordinary activities before taxation	1,604,625	1,010,655
Excess of depreciation on revalued amount over cost	9,493	9,493
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,614,118	1,020,148
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	1,337,278	718,407
	<hr/>	<hr/>

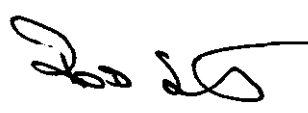
Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

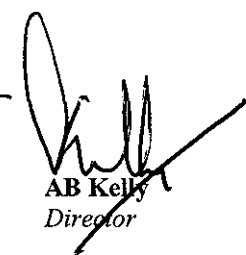
	2003	2002 (As restated – see note 2)
	£	£
Profit for the financial year	1,327,785	708,914
	<hr/>	<hr/>
Opening shareholders' funds as previously stated	4,492,833	3,957,985
Prior year adjustment	2,262,949	2,088,883
	<hr/>	<hr/>
As restated	6,755,782	6,046,868
	<hr/>	<hr/>
Closing shareholders' funds	8,083,567	6,755,782
	<hr/>	<hr/>

Balance sheet
at 31 December 2003

	Note	2003	2002
			(As restated – see note 2)
		£	£
Fixed assets			
Intangible assets	6	216,584	229,040
Tangible assets	7	8,179,394	7,796,991
		<u>8,395,978</u>	<u>8,026,031</u>
Current assets			
Stocks	8	7,120	4,954
Debtors	9	1,212,330	817,015
Investments: Unquoted, at cost		1,188	1,188
Cash at bank and in hand		1,250,115	756,010
		<u>2,470,753</u>	<u>1,579,167</u>
Creditors: amounts falling due within one year	10	<u>(1,639,714)</u>	<u>(1,419,278)</u>
Net current liabilities		<u>831,039</u>	<u>159,889</u>
Total assets less current liabilities		<u>9,227,017</u>	<u>8,185,920</u>
Creditors: amounts falling due after more than on year	11	<u>(292,500)</u>	<u>(460,000)</u>
Provisions for liabilities and charges	13	<u>(188,813)</u>	<u>(182,256)</u>
		<u>8,745,704</u>	<u>7,543,664</u>
Deferred income	14	<u>662,137</u>	<u>787,882</u>
Capital and reserves			
Called up share capital	15	90,960	90,960
Revaluation reserve	16	2,446,054	2,455,547
Profit and loss account	16	5,546,553	4,209,275
Equity shareholders' funds		<u>8,083,567</u>	<u>6,755,782</u>
		<u>8,745,704</u>	<u>7,543,664</u>

These financial statements were approved by the board of directors on 19th October 2004 and were signed on its behalf by:


 RG Street
 Director


 AB Kelly
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

Accounting convention

The financial statements are prepared under historical cost accounting convention modified to include the revaluation of freehold land and buildings.

Turnover

Turnover represents income derived directly and indirectly from race meetings plus other miscellaneous income from the use of the racecourse facilities and estate revenue in the UK.

Media income

Media income and related costs from the "Attheraces" deal are recognised as turnover and administrative expenses respectively in the profit and loss account on a straight line basis over the ten year period of the contract.

Intangible assets

Purchased racing fixtures and purchased goodwill are shown at cost. Amortisation of intangible assets is calculated to write-off the cost of the assets in equal annual instalments over their estimated lives from the financial year following their acquisition as follows:

Racing fixtures	5%
Purchased goodwill	4%

Tangible fixed assets

Freehold land and buildings are shown at directors' valuation.

Depreciation of fixed assets is calculated to write off the cost or valuation of the assets in equal annual instalments over their estimated useful lives as follows.

Freehold buildings	2%
Plant and machinery	10% or 20%
Motor vehicles	25%

Freehold property is carried at modified historical cost, not amended since the valuation in 1995 as permitted by the transitional rules of FRS15 "Tangible Fixed Assets".

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rental charges on operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates an externally administered, contributory, defined contribution scheme for all eligible employees. Pension costs are charged to the profit and loss account as they fall due.

Capital credits

The Horserace Betting Levy Board provides revenue grants to racecourses to support the holding of a race meeting.

A racecourse can elect in advance to convert the revenue to capital credits which can be drawn down to meet approved project expenditure or to meet repayment of HBLB loans. Revenue grants are taken to profit and loss account as turnover to match related costs of holding the race meeting. Capital credits are recognised as income when the related race meeting is held and when recoverable against the repayment of HBLB loan or expenditure on approved capital projects.

This is a change in policy as, in previous years, capital credits were not recognised until received and were then accounted for as capital grants which were credited to the profit and loss account by equal annual instalments over a period to match the period over which the relevant fixed assets were depreciated. The effect of the change in the accounting policy is set out in note 2.

Notes (continued)

2 Basis of preparation

The company has changed its accounting policy in respect of capital credits as explained in Note 1. Consequently comparative figures have been restated to reflect the change in policy.

The effect of the restatement is as follows:

	2002 £
Profit before tax – as previously reported	836,589
Adjustment to include capital credits received	174,066
	<hr/>
Profit before tax – as restated	1,010,655
Taxation – as previously stated	(301,741)
	<hr/>
Profit after tax – as restated	708,914
	<hr/>
Net assets	
As previously reported	4,492,833
Adjustment to include capital credits	2,262,949
	<hr/>
As restated	6,755,782
	<hr/>

3 Operating profit

	2003 £	2002 £
Operating profit is after charging/(crediting)		
Depreciation	242,521	210,592
Amortisation of intangible fixed assets	12,456	12,456
Auditors' remuneration		
Audit services	7,000	6,800
Other Services	-	-
Rentals under other operating leases	21,881	23,541
Rents received	(80,727)	(109,501)
	<hr/>	<hr/>

Notes *(continued)*

4 Information regarding directors and employees

(a) Directors

	2003	2002
	£	£
Directors' emoluments		
Fees	12,000	12,000

(b) Staff

	2003	2002
	£	£
Staff costs including directors' emoluments		
Wages and salaries	693,571	490,184
Social security costs	54,738	41,854
Other pension costs	8,151	6,984
	<u>756,460</u>	<u>539,022</u>

	2003	2002
	No.	No.
Average number of persons employed		
Management and administration	10	9
Other staff	26	21
	<u>36</u>	<u>30</u>

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £8,151 (2002: £6,984). Contributions totalling £Nil (2002: £Nil) were payable to the fund at the year end and are included in creditors. None of the directors qualified for benefits.

Notes (continued)

5 Taxation

	2003 £	2002 £
Corporation tax		
United Kingdom corporation tax at 30% (2002: 30%) based on profit for the year	267,041	250,000
Adjustment in respect of prior years	3,242	(15,546)
	<hr/>	<hr/>
Group relief	270,283	234,454
	-	5,317
	<hr/>	<hr/>
Total current tax charge	270,283	239,771
Deferred taxation		
Timing differences, origination and reversal	6,557	32,935
Adjustment in respect of prior years	-	29,035
	<hr/>	<hr/>
	276,840	301,741
	<hr/>	<hr/>

The tax assessed for the period is lower (2002: lower) than that resulting from applying the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003 £	2002 £
Reconciliation of current tax charge		
Profit on ordinary activities before tax	1,604,625	1,010,655
	<hr/>	<hr/>
Tax at 30% thereon	481,388	303,197
Expenses not deductible for tax purposes	37,870	61,325
Capital allowances in excess of depreciation	(7,452)	(32,935)
UK dividend income	(24,160)	-
Rounding of tax charge	-	134
Capital credits	(220,605)	(81,721)
Prior year adjustment to group relief	-	5,317
Prior period adjustments	3,242	(15,546)
	<hr/>	<hr/>
Total current tax charge	270,283	239,771
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £500,000.

Notes (continued)

6 Intangible fixed assets

	Purchased racing fixtures £	Purchased goodwill £	Total £
Cost			
At 1 January 2003 and 31 December 2003	200,000	61,500	261,500
Accumulated depreciation			
At 1 January 2003	30,000	2,460	32,460
Charge for year	9,996	2,460	12,456
At 31 December 2003	39,996	4,920	44,916
Net book value			
At 31 December 2003	160,004	56,580	216,584
At 31 December 2002	170,000	59,040	229,040

7 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2003	8,490,500	533,939	32,845	9,057,284
Additions	449,379	175,545	-	624,924
Disposals	-	-	-	-
At 31 December 2003	8,939,879	709,484	32,845	9,682,208
At valuation	3,453,202			3,453,202
At cost	5,486,677	709,484	32,845	6,229,006
At 31 December 2003	8,939,879	709,484	32,845	9,682,208
Accumulated depreciation				
At 1 January 2003	889,644	347,297	23,352	1,260,293
Charge for year	161,313	76,734	4,474	242,521
At 31 December 2003	1,050,957	424,031	27,826	1,502,814
Net book value				
At 31 December 2003	7,888,922	285,453	5,019	8,179,394
At 31 December 2002	7,600,856	186,642	9,493	7,796,991

Notes (continued)

7 Tangible fixed assets (continued)

The freehold land and buildings included above at valuation could alternatively be stated at a cost of £6,702,546 (2002: £6,253,167) with accumulated depreciation of £1,260,050 (2002: £1,108,230). The property was valued on 31 December 1995 at open market value on the basis of existing use by the directors.

The value of land not depreciated is £1,453,202 (2002: £1,453,202).

8 Stocks

	2003 £	2002 £
Goods held for resale	7,120	4,954

9 Debtors

	2003 £	2002 £
<i>Amounts falling due within one year</i>		
Trade debtors	373,213	355,095
Amounts owed by other group undertakings	496,189	311,189
Other debtors	265,519	54,984
Prepayments	77,409	95,747
	<u>1,212,330</u>	<u>817,015</u>

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Loans from Horserace Betting Levy Board (note 12)	257,500	310,000
Trade creditors	190,860	125,518
Amounts owed to group undertakings	627,367	424,223
Group relief payable	-	5,317
Corporation tax	267,041	250,000
Other taxation and social security	64,599	57,582
Other creditors	34,974	71,631
Accruals	197,373	175,007
	<u>1,639,714</u>	<u>1,419,278</u>

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Loans from Horserace Betting Levy Board (note 12)	292,500	460,000

12 Loans from Horserace Betting Levy Board

	2003 £	2002 £
The loans are repayable as follows:		
In one year or less or on demand	257,500	310,000
In more than one year but not more than two years	257,500	240,000
In more than two years but not more than five years	35,000	220,000
	550,000	770,000

The company has three outstanding interest free loans from the Horserace Betting Levy Board to finance course improvements. The balance outstanding at 31 December 2003 was £550,000 (2002: £770,000). This is secured by charges over the assets of the company.

13 Provisions for liabilities and charges

	£
Deferred taxation	
Balance at 1 January 2003	182,256
Charge for the year	6,557
Balance at 31 December 2003	188,813

The amounts provided in the accounts are as follows:

	2003 £	2002 £
Capital allowances in excess of depreciation	188,813	178,421
Short term timing differences	-	3,835
	188,813	182,256

Notes (continued)

14 Deferred income

	Advance revenue
At 1 January 2003	787,882
Advance revenue received during the year	554,149
Credited to the profit and loss account	(679,894)
	<hr/>
At 31 December 2003	662,137
	<hr/>

15 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
120,000 ordinary shares of £1 each	120,000	120,000
	<hr/>	<hr/>
<i>Called up, allotted and fully paid</i>		
90,960 ordinary shares of £1 each	90,960	90,960
	<hr/>	<hr/>

16 Reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2003 as previously stated	2,455,547	1,946,326
Prior year adjustment (note 2)	-	2,262,949
	<hr/>	<hr/>
Balance at 1 January 2003 as restated	2,455,547	4,209,275
Profit for the year	-	1,327,785
Transfer of amount equivalent to additional depreciation on revalued assets	(9,493)	9,493
	<hr/>	<hr/>
Balance at 31 December 2003	2,446,054	5,546,553
	<hr/>	<hr/>

Notes (continued)

17 Operating lease commitments

At 31 December 2003, the company was committed to making the following payments in respect of plant and equipment during the next year in respect of other operating leases which expire:

	2003 £	2002 £
Leases which expire:		
Within one year	20,762	21,913
Between two and five year	16,713	16,796
	<hr/> 37,475 <hr/>	<hr/> 38,709 <hr/>

18 Capital commitments

At 31 December 2003 the company had no capital commitments at the year end (2002: £Nil) which were contracted for but not provided in the financial statements.

19 Contingent liability

- (a) The Group loan and overdraft facilities are secured by legal charges over the racecourse properties. The balance outstanding at 31 December 2003 for the loan was £9,558,189 (2002: Nil) and the Group overdraft was £ 3,424,305 (2002: £1,632,918).
- (b) Under agreements between the Horserace Betting Levy Board and Newcastle racecourses, capital grants received may be liable to be refunded in part if the racecourses cease to hold regular meetings, or cease to carry on business as a racecourse or dispose of any substantial part of the racecourse. The total contingent liability under the above agreements amounted to £69,055 at 31 December 2003.
- (c) Notice has been served by Attheraces to terminate the contract. As a result of the termination of the agreement the company, in common with other individual operators, has entered into direct discussions with Attheraces concerning the terms governing the provision of media rights. The company's view is that these rights remain significant and that a new agreement will be reached in order that they are properly exploited. The Board is confident that if there are any rebates payable following the termination of the Attheraces agreement these will be out of certain future media earnings of the 49 racecourses.

20 Related party transactions

The company has taken advantage of the exemption not to disclose its transactions with group companies as its results are consolidated into the financial statements of its parent company which are publicly available.

21 Ultimate parent company

The immediate parent company is Northern Races Limited, formerly Northern Racing Limited which is registered in England and Wales. The ultimate parent company is Northern Racing PLC, formerly The Chepstow Racecourse PLC, a company registered in England and Wales. Copies of the report and accounts are available from the Registered Office at The Racecourse, Chepstow, Monmouthshire, NP16 3BE.